

# The broken record: How the music industry is making sense of uncertainty and change

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## Abstract

As the recording music industry entered the digital era, significant turmoil emerged due to piracy and illegal downloading, and royalty payments to artists via streaming platforms. To date, the previous research examining the industry shift focused on consumer-based decisions such as whether to download music illegally, and, more recently, experiences with streaming services. Using sensemaking as our lens, we examine changes and challenges through in-depth interviews with music industry practitioners. The participants have been directly impacted by the digital shift in general and by specific issues such as piracy and poor compensation from streaming platforms. We develop a typology of industry members based on their development of sensemaking capabilities as they navigate the ever-changing industry and the resulting influence on market practices.

## KEYWORDS

ethics, music industry, practitioners, qualitative, sensemaking

## Résumé

Le passage de l'industrie de la musique à l'ère numérique a donné lieu à d'importants bouleversements causés par le piratage, le téléchargement illégal et le versement de redevances aux artistes via les plateformes de diffusion en continu. Jusqu'à présent, les recherches précédentes sur la mutation de l'industrie ont principalement porté sur les décisions des consommateurs, telles que celle relative au téléchargement illégal de musique et, plus récemment, sur les expériences liées aux services de diffusion en continu. En utilisant le sensemaking comme objectif, nous examinons les mutations et les défis de l'industrie de la musique en nous basant sur des entretiens approfondis réalisés auprès des praticiens. Les résultats montrent que le passage au numérique en général et les problèmes spécifiques comme le piratage et la faible rémunération des plateformes de diffusion en continu ont un impact direct sur les participants. Nous élaborons une typologie des membres de l'industrie basée sur le développement de leurs capacités de sensemaking dans un environnement en constante évolution et l'influence qui en résulte sur les pratiques du marché.

**MOTS-CLÉS**

éthique, industrie de la musique, praticiens, qualitatif, Sensemaking

**JEL CLASSIFICATION**

M3, M30

## 1 | INTRODUCTION

The death of the album. The death of the CD. The death of the music industry. These are all headlines that have previously attempted to capture the state of the music industry, which experienced a 15-year period of declining revenues and severe piracy issues between 1999 and 2014. However, the past several years have seen a period of growth in global revenues. This recovery is primarily being led by streaming revenues, which grew by 34% in 2018 (IFPI, 2019), and has created a sense of optimism among some members of the industry. Despite positive signs, such as global revenues increasing by almost 10%, the music industry has and continues to experience considerable turbulence and is at a time of dramatic change during which artists are not being fully compensated (Sinclair, 2018). The shift in format and artist compensation raises questions about how consumers value the music product (see Marshall, 2019) and how responsible the industry is for this perceived devaluing (Sinclair & Green, 2016). Additionally, lawsuits filed against Spotify due to unpaid royalties (Christman, 2016) have added to the complex relationships within the industry.

The digital age created new challenges and at the same time exacerbated old issues, including fair compensation for artists and the difficult relationship between musicians and record labels. Developments in the early twentieth century provided the means to playback recorded music cheaply, and to mass-produce and distribute the recorded product to a large audience (Laing, 2004). There is an irony to technology being blamed for the current plight.

The economic fallout due to the challenging transformation is well documented. For example, the Recording Industry Association of America (RIAA) cites a decline of 47% in sales while also estimating that over 30 billion songs were downloaded illegally between 2004 and 2009 (RIAA, 2015). While the extent of this economic decline can be questioned considering that many of these industry estimates are based on the assumption that each pirated download equates to a lost sale, it is clear that there was a significant drop in revenue. In this paper, we particularly focus on the Canadian recording industry, defined as “companies involved in developing,

publishing, manufacturing, distributing, marketing and promoting musical recordings and artists and performers” (Music Canada, 2012, p. 1). Importantly for the purposes of the current study, Music Canada reports decreased revenues of \$532 million between 2007 and 2011 across all aspects of the industry (not only recording), as well as a significant knock-on impact of job losses during the same time period attributed to piracy. While revenues have grown in recent years, digital sales now represent a greater share of music, with streaming revenue having grown by nearly 18% in 2020 (Music Canada, 2020). In sum, digital revenue accounted for CDN \$521M out of a total market of CDN \$647M in the 2020 fiscal year; however, the value of streaming to artists remains questionable.

Using the theoretical lens of sensemaking, this paper explores how members of the music industry, with particular emphasis on musicians, address these challenges (Weick et al., 2005). Weick et al. (2005) note that sensemaking occurs in times of change during which normal routines are not sufficient. It is during this period of change that firms and individuals engage in sensemaking for the purposes of first answering, “what’s going on here?” and then, “what do I do next?” We address these questions directly through in-depth interviews with members of the Canadian recording industry. In doing so, we develop a typology of members of the recording industry that vary across their level of sensemaking abilities and their general acceptance of the new normal of the digital age. The level of influence and engagement with the digital era has a significant impact on the industry as a whole as members of our typology vary from dismissal and frustration to members who are finding ways to prosper.

Weick et al. (2005) note that when a situation is perceived as being different from the expected state of affairs, it can be viewed as a discrepancy, breakdown, surprise, disconfirmation, opportunity, or interruption. We explore these six different interpretations to better understand how practitioners in the music industry have and continue to make sense of the digital shift. Our study provides evidence of these interpretations, such as how the shift to digital products in the music industry initially resulted in a surprise, as the industry appeared to have been caught off guard when file-sharing services first

emerged. The initial shock was followed by a significant interruption in the status quo approach of selling mass quantities of physical products through brick-and-mortar stores. An entire segment of our sample, the Resisters, has not overcome this state of shock and interruption. As evidenced by a number of progressive participants, meanwhile, the Embracers, the digital era is viewed as an opportunity to engage consumers while also exploring ways to increase revenues from streaming services.

In communicating such findings, this paper makes a number of managerial and theoretical contributions. While a significant body of research has examined the consumer point of view regarding piracy and the ethical issues surrounding streaming (see for instance Giesler, 2006; Weijters et al., 2014). For example, Giesler (2006) discusses the sense of community and reciprocity built by Napster users sharing their music collections free with others. The participants in Giesler's work noted that the key benefits of Napster included not having to go to record stores to find albums and not paying for their music. The current research builds on this research by exploring the impact past consumer piracy decisions directly had on the members of the music industry.

We also go beyond the identification of the industry's ethical and marketing issues by exploring how the music industry is developing solutions and making sense (i.e., sensegiving) of these challenges (Maitlis & Christianson, 2014). We provide both broad industry-level discussion regarding the sweeping changes in the industry and specific issues presented by this shift for individual members and their roles in the music industry.

In the following sections, we present a review of the literature on the ethical and marketing challenges facing the music industry, the sensemaking literature, and how sensemaking applies to the current context. Next, we present our methodology followed by the discussion of our typology of music industry members. We conclude with implications for researchers and practitioners.

## 2 | LITERATURE REVIEW

### 2.1 | Challenges and changes in the recording industry

Discussion of the record industry in both academic and mass media contexts was historically dominated by piracy and the fundamental shift in how consumers access and share music. The literature on this topic has previously focused on how illegal downloading led to the decline of the recording industry (see for instance Rob & Waldfogel, 2004), consumers' questionable morality

(Cesareo & Pastore, 2014), and potential strategies for stopping piracy (see for instance Levin et al., 2007). A common feature of such discussion is the lack of emphasis placed on actually working with the peer-to-peer and digital technologies to respond to evolving consumer needs (see for instance Sinclair & Green, 2016). However, more recent research (IFPI, 2019; Sinclair & Green, 2016) shows that the recording industry is experiencing a decline in piracy levels as consumers who previously pirated music have migrated toward paid streaming platforms.

The more recent focus of the literature has mirrored the shift away from consumer piracy/illegal downloading and instead examines consumer experiences of streaming (see for instance Sinclair & Tinson, 2017; Funetes et al., 2019). Additional contemporary topics include the ethics of artist/consumer payment (Marshall, 2015), and the ethical and legal implications of emerging large corporate streaming companies in the age of consumer data surveillance (see Drott, 2019). We explore how members of the music industry directly impacted by piracy previously and, more recently, poor royalty structures for artists, have responded.

At this time of rapid transformation in the production and consumption of music, a high level of uncertainty remains, despite the apparent decline in music piracy and movement toward legal digital consumption. In particular, there is the controversy over the low royalties artists receive through streaming platforms (see for instance Marshall, 2015). This issue is symptomatic of the historically problematic relationship between art and commerce (Shuker, 2001). On the one hand, artists want the freedom to record music without commercial interference; however, they want fair compensation for their work and for their music to reach a mass audience. These have been the traditional roles of the industry record labels and promoters. With technological transformations, artists now have potential opportunities by which to take more control over these commercial roles by drawing on their artistic skills for marketing purposes (Brown, 2005). To date, research is lacking on how industry stakeholders make sense of such opportunities and adapt to the challenges of the contemporary marketplace (Gamble, 2019).

The issue of artist compensation also raises questions about how the product of their art is valued by consumers and other stakeholders. Recent research has resulted in conflicting findings. Weijters et al. (2014) note that the majority of music consumers are concerned about how musicians are compensated when they consume music. Conversely, other studies suggest that consumers have little regard for how artists are compensated for their work (Sinclair, 2018; Sinclair & Green, 2016). Consumer research on this issue is indicative of the creative means

by which the industry can develop alternative sources of income and increase value. However, further understanding is required from a greater variety of stakeholders within the industry to make sense of such trends and their implications (Sinclair & Saren, 2019).

## 2.2 | Sensemaking theory and the music industry

Due to the rapid change and complexity of issues that the music industry has experienced and continues to experience, the theory of sensemaking provides an ideal theoretical lens through which to explore contemporary practice. Sensemaking is a process that firms and individuals engage with in order to better understand strategic issues facing them and is defined as a “process by which individuals develop cognitive maps of their environment” (Ring & Rands, 1989, p. 342). Maitlis and Christianson (2014) note that the sensemaking process is “triggered by cues—such as issues, events, or situations—for which the meaning is ambiguous and/or outcomes uncertain” (p. 70). We explore the issues and situations in the recording industry that have led some practitioners in the industry to question how to best move forward at a time in which many feel their careers and livelihoods are threatened.

Additionally, organizations develop a sensemaking capability defined as a “bundle of collective routines that shape what information is assimilated, how it is interpreted, and which actions are considered” (Neill et al., 2007, p. 732). Importantly, Neill et al. (2007) argue that perceived market turbulence is a key antecedent factor that leads to the development of sensemaking capabilities. Jaworski and Kohli (1993) posit that market turbulence entails the extent to which firms identify changes in both composition and customer preferences over time.

Weick et al. (2005) find that sensemaking tends to take place when the current state of affairs is perceived to be different from expectations. As it relates to the music industry, changing consumer preferences, such as the decision to pirate music or the shift from physical products to digital products, such as streaming platforms, present significant issues. The recording industry failed to take hold of the piracy issue following its escalation in the post-Napster era, struggling to understand what was going on initially and then pursuing a policy of policing or threatening consumers with the use of fear, legal (Fisher, 2004), and guilt appeals (Levin et al., 2007).

Notably, sensemaking has been the lens through which to examine both individual and industry level issues facing the arts community. Firstly, Maitlis (2009)

explored the sensemaking efforts of professional dancers who suffered injuries that interrupted their careers. Secondly, sensemaking was applied in order to examine the impact on the industry when SoundScan was introduced as the key source of marketing information that supplanted the importance of Billboard charts for monitoring sales (Anand & Peterson, 2000). We address the challenges in the marketplace directly through in-depth interviews with a variety of stakeholders in the industry, versus a sole focus on sales data (Anand & Peterson, 2000).

## 3 | METHODOLOGY

As the impact of the digital shift on members of the music industry is relatively unexplored, qualitative in-depth interviews served as an appropriate methodology (Strauss & Corbin, 1990). In addition, the goal of our research is discovery-oriented, and we sought to examine a variety of factors that influence the ways in which industry members have responded to the digital shift. Previous research that has developed typologies based on music consumption during the digital age (Sinclair & Green, 2016) have followed a similar exploratory, qualitative approach. Our typology notably differs in that we examine the industry response with a focus on the development of sensemaking capabilities in the face of significant change in the music industry.

### 3.1 | Sample

The participants were recruited from multiple cities across Canada, including Calgary, Montreal, Toronto, and Vancouver. Initial sampling was conducted through interview requests made over social media sites including Facebook and Twitter. Additional participants were recruited using a snowball sampling technique in which participants provided introductions to other members of the music industry in Canada. The early participants who introduced the authors to additional participants were advised not to disclose the purpose of the research in order to avoid any potential biases prior to the interview taking place.

The demographics of the sample are summarized in Table 1 and represent a diverse population across a number of different roles in the music industry. This study is part of a larger study focusing on the challenges and changes in the recording industry. The first set of interviews conducted between late 2016 and early 2017 had an initial focus on the impact of piracy. Additional follow-up interviews were completed in 2017 and 2018,

TABLE 1 Participant demographics

Participant	Segment type	Age	Gender	Occupation
1	Realist	52	M	Music director, radio, journalist
2	Resister	43	M	Musician, music teacher
3	Embracer	34	M	Production and marketing, record label
4	Realist	45	M	Independent record label owner
5	Realist	30	M	Manager, recording studio
6	Realist	40	M	Musician, producer
7	Realist	45	M	Owner, record label
8	Resister	36	M	Musician, producer
9	Resister	43	M	Mastering engineer, musician
10	Realist	38	M	Live music production, events management
11	Embracer	31	F	Events manager, sustainability
12	Realist	36	F	Live music venue manager
13	Realist	45	M	Tour manager
14	Realist	47	M	Musician, college instructor
15	Realist	48	F	Radio producer, dj, writer
16	Realist	23	M	Musician, producer
17	Realist	23	F	Musician
18	Embracer	37	M	Musician, label owner, producer
19	Realist	28	M	Musician, school teacher
20	Resister	41	M	Musician, promoter, publicist
21	Realist	43	M	Band manager, university instructor, record label owner
22	Embracer	45	M	Public relations, record label
23	Realist	45	M	Musician, radio personality, college instructor
24	Realist	57	M	Music director, radio
25	Embracer	55	M	Promotions
26	Realist	56	M	Recording studio owner, producer, owner, recording school
27	Realist	45	M	Musician, band leader, film composer, dj, tour manager
28	Embracer	31	F	Musician
29	Embracer	31	M	Musician
30	Realist	54	M	Tour manager, artist manager
31	Embracer	36	M	Musician, producer

focusing on concern over emerging issues such as streaming royalties and how best to succeed in the digital era. A final phase of data collection took place in late 2019 with follow-up questions focused specifically on streaming and issues related to artist compensation.

The emphasis in the sample on musicians reflects data that found that over 70% of those employed in the music industry are artists (Ontario Media Development Corporation, 2016). Additionally, artists and label owners

and employees have been the most directly impacted by the digital shift among participants in our sample. In total, the authors interviewed five women and 27 men. While the authors did attempt to include more female members of the music industry in the sample, the imbalance across gender coincides with industry reports that suggest that 73% of members of the music industry in Canada are male. The sample ranged in age from 23 to 57 years old, with an average age of 41 years. Finally, the

participants had worked in the music industry for an average of nearly 20 years (between five and 33 years), allowing for a focus on participants who have experienced a considerable amount of change during their music careers.

### 3.2 | Data collection

Following the methodology of Drumwright (1996), we conducted elite interviews with members of the music industry as we sought to explore the recording industry's decision makers' understanding of the current challenges. Further, elite interviews allow the researcher to emphasize the participant's understanding of the situation and provide the opportunity for interviewees to prioritize what is of most importance to their role. In addition, for the purposes of developing rapport and trust with the participants, we provided the option of holding the interview at either their homes or their workplace to allow them to feel comfortable. The interviews took place over the phone, Skype, and in person. The authors reminded the participants that we did not have predetermined opinions and that we solely sought their honest opinions (see Oberseder et al., 2011).

The semi-structured interview guide provided some structure to the interview, although participants often elaborated on their initial answers and follow-up questions were developed during each interview. The first set of questions in the interview guide allowed for discussion of the participant's involvement in the music industry, including the roles they held and the time they had spent in the industry. Next, the participants discussed the general challenges the overall music industry currently faces and explained specific challenges to their individual roles. Additionally, participants were asked to identify ways in which both the industry and they personally are attempting to make sense of the challenges and changes as they navigate their careers. The 32 interviews averaged 48 minutes, with over 1500 minutes of total interview time completed. Additionally, a total of 935 pages of transcripts were reviewed and analyzed. Accompanying interview notes were also reviewed to ensure a complete understanding of the participants' experience.

### 3.3 | Data analysis

Following the iterative process suggested by Spiggle (1994), the authors, following the completion of each interview, reviewed the transcripts separately. The individual transcripts were reviewed leading to updates of the

interview protocol based on emerging themes and findings during the interview process. Furthermore, if participants felt specific questions posed challenges such as being too broad or unclear, the authors updated the interview guide where appropriate.

The coding of the interviews was twofold. As our interest lies in better understanding the role of sense-making capabilities and approaches taken to navigate the digital shift, we coded each transcript in order to develop a typology of members within the sample. Specifically, each transcript was coded based on participants' level of acceptance, engagement, and ability to move forward in the digital era. The coding resulted in the identification of three segments of music industry members, discussed in detail in the results section. Secondly, the coding was completed to identify the interpretation of the shift to the digital era adopting Weick and colleagues' (2005) six distinct themes: discrepancy, breakdown, surprise, disconfirmation, opportunity, and interruption.

## 4 | RESULTS

In the following sections, we present a typology of music industry members that evidences a continuum of sensemaking abilities across the three identified segments. Firstly, the Resisters, who are dissatisfied with the industry's response to piracy, express a refusal to move forward, and look fondly upon how the industry operated when physical product sales dominated. We also find a group of industry members, the Realists, who understand that digital music consumption and streaming platforms are the way forward; however, they do not openly embrace this new way of operating in the music industry, while simultaneously realizing that there is no way to stop the forward progress. Our final segment, the Embracers, have moved beyond acceptance and are actively finding ways to prosper in the digital era. A variety of themes such as the impact of the digital era on the industry broadly and individual roles, the challenges facing the music industry, and how best to work within the new digital industry are presented by using a typology to facilitate interpretation of data (see Table 2).

### 4.1 | The Resisters

Our first segment of participants, the Resisters, was the smallest of the segments in our typology, with just four participants among the total sample. While not intended to be a representative sample, our four members of the Resisters were all musicians and had worked in the music

TABLE 2 Typology of music industry practitioners

	Resisters	Realists	Embracers
Interpretation of sensemaking (adapted from Weick et al., 2005)	<ul style="list-style-type: none"> <li>Remained fixated by breakdown, surprise, and disruption stages</li> </ul>	<ul style="list-style-type: none"> <li>Disconfirmation</li> <li>Interruption</li> <li>Opportunity was discussed but only unsuccessful examples were cited</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledge past stages of shock and disruption</li> <li>Current focus is on opportunity and how to move forward</li> </ul>
Level of sensemaking capabilities	<ul style="list-style-type: none"> <li>Very low</li> <li>Remained focused on “what’s going on here”</li> </ul>	<ul style="list-style-type: none"> <li>Low-to-medium</li> <li>Have awareness of the new digital era they operate in</li> <li>Unsure of how best to move forward to capitalize on digital services</li> </ul>	<ul style="list-style-type: none"> <li>Medium-to-high</li> <li>They are focused on “what do we do next?”</li> <li>Have found ways to monetize digital services</li> <li>Interest in bringing musicians together to improve royalties</li> </ul>
Key challenge(s) facing the industry as identified by segment	<ul style="list-style-type: none"> <li>Piracy</li> <li>Pricing model of legal downloading (e.g., iTunes)</li> </ul>	<ul style="list-style-type: none"> <li>How to distribute/release music</li> <li>Streaming royalties</li> </ul>	<ul style="list-style-type: none"> <li>Streaming royalties</li> <li>Value gap for artists</li> </ul>
Proposed solutions for challenges facing the industry	<ul style="list-style-type: none"> <li>Expressed anger and frustration versus discussing solutions</li> <li>Remained focused on decrease in revenues and budgets for artists</li> </ul>	<ul style="list-style-type: none"> <li>Feels record labels could do more to help with streaming royalties</li> <li>Have to determine the best way to release new music but remain in a state of flux</li> </ul>	<ul style="list-style-type: none"> <li>Release EPs versus full albums</li> <li>Lobbying together as artists and forming a strong union</li> <li>Educate consumers on the value the arts provide</li> </ul>

industry on average for over 23 years. These members began their music careers well before the digital shift and had experienced success via recording contracts, record sales and extensive touring revenue.

The members of this segment remained in Weick et al.’s (2005) interpretations of surprise, interruption, and breakdown, while expressing very little interest in determining how best to approach the digital era. Additionally, these participants’ focus remained on the first question of sensemaking, namely, “what’s going on here?” The Resisters noted a historically difficult industry to work in due to conflict between artists and labels and a lack of fair compensation for the creators in the industry. It was noted that they felt that musicians were devalued even more now as a result of the digital transition. They tended to view technology companies as enemies of creative industries. For example:

And then just speaking to the point of price, that we can thank Apple and Steve Jobs for that because he was like “Okay. This [digital download] needs a number. And that number’s going to be \$0.99.” And that was unfair... I think anyone that’s going to spend \$0.99 on something will spend \$1.99 on something. (M, 43, musician)

So with the devaluation of music, and it has become devalued because back in 1955 you would spend \$0.89 for a 45, which is equivalent to \$8.00 today. You’d spend the equivalent of \$56.00 in today’s money for an album. What do you pay for a song on iTunes now? Ninety-nine cents. (M, 36, musician)

Furthermore, previous research has suggested that the shift from physical formats to digital formats and specifically file-sharing services such as Napster hurt the recording music industry beyond repair (see, for instance, Rob & Waldfogel, 2004). This segment also remained fixated on the negative impact of piracy on the music industry nearly two decades after the launch of file-sharing platforms such as Napster. For example:

Due to the massive financial losses in the industry, the record companies pulled their tour support and that affected everybody. So now, tour bus companies are getting pinched. And whereas a band used to go out with a crew of 10... They’d have a lighting director. They’d have a sound engineer. They’d have an assistant audio engineer. Each individual band member would have their own

technician. You had a tour manager and sometimes you had a separate production manager. So now, you will have a tech on the road that does multiple instruments. So whereas he used to just do drums, now he is expected to do drums and bass or drums and guitar. And maybe there'll be one guy that does the entire stage. It is just a trickle-down effect. (M, 43, musician)

We find that Resisters dwell on the consumer decision to download illegally and continue to view this as a breakdown of the industry. Members in this segment noted the impact on both artists and labels and on important auxiliary services such as mastering. The suggestion in the following quotation is that there exists a vicious cycle as it relates to music consumption. Consumers have become accustomed to the lower-quality sound associated with digital music and artists have responded by not investing in audio quality as in previous years due to lower budgets:

People's budgets are a lot lower for one thing due to piracy. That is part of the problem because artists do not have the money to pay anymore for [mastering] full albums. Especially when so many people's budgets are lower overall, it trickles down to us. Then people do not care as much about sound quality. We have less professional mixes; so many mixes that come in are very amateur. Twenty years ago, the majority of what we had was quite high quality; now the quality is not as good as it used to be. We're more challenged in that respect, that we're dealing with music that's mixed incorrectly or, you know, like, amateurish... That's the other thing how it's changed quite a bit is that our label business has changed from 50% to about 10%. We get a lot less label business than we used to have due to lost sales in the industry. (M, 43, mastering engineer, musician)

The decision made by consumers to download music illegally, left artists in this segment with a sense of frustration and confusion despite piracy numbers showing significant declines as consumers move toward streaming services. Previous research on sensemaking notes that environmental cues such as consumer trends are to be monitored and interpreted (see, for instance, Basu & Palazzo, 2008) and ultimately acted upon in order to demonstrate they are in tune with consumer preferences and demands. However, a participant in this segment was

still hurt and angered over past experiences with fans and illegal downloading behavior and did not see a way forward:

I was on the road with my band when Napster came out. And we had two top-10 hits in Canada. And I think sold 5,000 records. And it was really bizarre that it did not sell at all. If you are getting that much radio play, you are expecting five times that number in Canada, at least. And to not have it even do any of that was just bizarre. But people liked the song they heard on the radio and then went on the computer and downloaded it and did not think it was wrong. And then I remember people would bring burned copies of CDs for us to sign! (M, 43, musician)

At the individual level, many of the musicians in this segment struggled with the issue of promoting their art commercially in the new era of digital music. The impact of commerce on artistic authenticity and credibility is not a new issue for musicians to consider (see Shuker, 2001). New technologies and the challenges they have raised put greater pressures on artists to perhaps adapt their thinking and place a greater emphasis on the practicalities of being a musician for a living. Relating to Weick et al.'s (2005) interpretation, it was viewed as a breakdown in that the industry failed to support artists. The following musician's concern is that consumers now have an expectation to receive music at no cost due to streaming platforms and illegal download sites, placing considerable financial strain on many current artists:

Well, that's the thing. It's, like, how are you able to create when you are not being paid—you are not able to support your creations through the sale of your creations. So you give away an album free and how are you going to make your next record unless you have a trust fund? (M, 36, musician, producer)

Next, the second segment in our typology, the Realists, are presented. We note an increased level of acceptance of the digital era, but a lack of clarity and focus as it relates to how best to move forward.

## 4.2 | The Realists

The members of the Realists segment totaled 19 of our 32 participants and had worked in the music industry for an average of 20 years. Similarly, to the Resisters, many



members of this segment had begun their careers at a time of large recording contracts and significant sales from physical products. However, the Realists had addressed Weick's first question of "what's going on here?" and understood that they operate in a new era in music consumption and creation. Unfortunately, in many cases they remained unsure of how to best take advantage of existing opportunities. While a few of the members of this segment lamented the changes seen during the digital shift, unlike the Resisters, they recognized the need to accept this reality for their own survival as artists. For example:

I mean, just from I guess a musician perspective, yeah, I mean, illegal downloading and actually quite frankly legal downloading has sucked so much money out of musicians' pockets that it's ceasing to be a viable career for so many former musicians. Musicians are now middle class, middle class are now poor and poor musicians are now working as real-estate agents... So really the entire middle class of musicians I think in North America has sort of vanished. Musicians either have ascended to this higher level that still is profitable and that could be pop-song writing or a really successful live band. Or you're just struggling in the margins and trying to piece together a livelihood and I'm an example. But basically, you have to do many things to make a living in music. And a lot of the great musicians just failed to do that. Maybe they are not web-savvy enough to build their online presence, for example. (M, 47, musician, college instructor)

Beyond the sweeping changes for musicians, members of the Realists discussed resistance on the broader industry level as it relates to format shifts. As noted by Ogden et al. (2011), with each new form of music media (i.e., the shift from vinyl to cassette tape), the music industry was previously able to grow based on repurchase behavior. However, in the current research, participants noted a resistance to change in formats on the part of some members of the music industry, such as labels that refused to evolve with technology when digital music first arrived. This resistance was identified in due part to past success related to change in physical formats and consumers' willingness to pay for multiple physical formats. Specifically related to Weick et al.'s (2005) interpretations, the following artists noted a disconfirmation as the industry's previous ability to make money

based on format changes was no longer a viable option in the digital era:

So what has the industry done? Well, the industry got really, really fat. The industry loved having these media format changes over the years. So the record business only had to pay to make *Dark Side of the Moon* once, but they got to resell it in a handful of different formats before the business took it on the chin, you know? They sold *Dark Side of the Moon* on vinyl LPs, and then they sold it on cassette, and then they sold it on CDs. Then they resold it as a remaster. And then they resold it as a remastered, repackage. And then they resold it as a box set. (M, 40, musician, producer)

The digital shift has also led to a transformation of the social spaces from which music is consumed with less emphasis naturally placed on the traditional brick-and-mortar record store (Zentner, 2008) and a sense of nostalgia for the social aspect is evident as a consequence (Bartmanski & Woodward, 2015). Among the Realists, this also represents another example of disconfirmation as to how music was successfully distributed previously. While understanding that today's consumer preferences have changed, there is a sense of displacement in the fragmentation of music consumers and their affiliated community (Maffesoli, 1995).

Some of the cultural gravity has been taken out of the music business by the death of the record stores. When I was a kid, my dad was a huge music fan and a guy who spent hundreds of dollars a week on records. For my brother and I, being in record stores and hearing music that you had never heard for the first time from the cool kid who is behind the desk is like, he's playing something and it sounds super exciting. You are sort of in a little temple with these like-minded people who are flipping through records and hoping to come home with some music that is going to change their lives. And in that communal worship, there is an added value because it is like you get to feel a part of a tribe, right? But I think that that tribal element has been gutted in music where there is no meeting place. (M, 40, musician, producer)

Further complicating matters for the musicians and label employees in this segment was how best to release

new music. With fewer physical outlets available and massive drops in sales of full physical copies of albums, a number of participants in this segment questioned the value of releasing albums in a traditional manner. This view aligns with Weick et al.'s (2005) interpretation of differences as being an interruption. Specifically, the Realists noted there is no longer continuity in how recorded music should be distributed. However, to date the Realists did not have clear direction how best to distribute recorded music. For example:

Yeah, it's really a strange thing to be in and now the thing is— The big talk is, okay, do you keep writing albums? Why are we writing albums? Why don't we just write six of our best songs and— or release six of our best songs and go out and tour that? What is the point? No one is buying the album. So let's make a six-song EP, you know, little catalogue under the same sort of theme or something like that. Everybody's scratching their heads wondering what they're going to do and, I mean, that's where we're at too... I'd rather tour than have to wait another year and a half before we complete an entire new album that no one's going to buy. (M, 45, musician, radio personality, college instructor)

While the traditional members of the music industry often expressed dissatisfaction and concern over the change from physical to digital formats, digital formats provide the ability to share music more easily, and to make it available for larger audiences on social media, at a lower expense. It also potentially represents an opportunity for musicians to take greater control of their music product and be more creative in how they ultimately commercialize their artistic work. Examples of this include Radiohead's strategy of allowing the consumer to decide what to pay for their album (Kim et al., 2009), free digital version of albums (such as U2), and the increasing number of surprise releases (such as David Bowie and Beyoncé) that try to engage the consumer in new ways. This is in concert with the sensemaking literature that notes that organizations and individuals must interpret environmental cues such as consumer tastes if they are to attempt to innovate and overcome challenges (see Neill et al., 2007). In concert with Weick's interpretations, this suggests that an opportunity exists. However, as per the following quotation, some new innovations regarding distribution were met with varying degrees of success by the Realists, as they felt giving away music would lead to further devaluation of music by consumers and impact smaller artists who cannot afford to follow suit:

I mean U2 gave away their entire new record on iTunes but forced it on people. I deleted it immediately. I was thinking "I would go and buy this album. I don't want you just to give it to me and it just shows up in up my iTunes." It was insane, you know what I mean? That was a very bad move on their behalf. (M, 45, independent record label owner)

Another key ethical issue identified by the participants in this segment was the emergence of royalty payments from streaming services such as YouTube, Spotify, and Apple Music, which offer consumers millions of songs using a freemium model. While the major recording labels have experienced rejuvenated revenue in recent years from streaming services, artists have not been privy to the same type of financial rejuvenations (Marshall, 2015) because of the nature of the deals that the major labels have signed with the streaming services. Differing from the Resisters, the Realists understood this shift to streaming makes sense, and many noted that streaming services are great for consumers. However, the segment also noted they had not seen the necessary support from labels to ensure fair payment of royalties. For example:

The way that this industry has evolved, they [labels] did not do enough to protect music when they should have. Like, when Napster was starting up, they did not do enough then. And now everybody is kicking themselves and going, oh, no. We are not making money anymore and dah, dah, dah, dah. They haven't evolved. They want to act as if it is still the 90s where people go and line up on release day and it is not. But I think Spotify's makes sense. It is the next step in the evolution of how we are going to consume music. I think that the labels should care more about the artist revenue from streaming services than they do. (F, 23, musician)

The scary thing is music is now worth nothing. You know what, actual streaming rights, record labels are now beginning to bully and buy out and actually take over every single streaming company because they were so late to the dance when it came to Napster that they're now actually beginning to buy these companies. Because they don't want artists to know how much money they are actually making. (M, 56, recording studio owner, producer, recording school owner)

### 4.3 | The Embracers

A total of eight participants were identified as Embracers. These participants had worked in the music industry for an average of 14 years. While their tenure in the music industry is on average shorter than the other two segments in our study, the members did vary considerably by age and roles across the industry. Furthermore, we find these artists and labels were further developed in their sensemaking abilities. Specifically related to the various stages presented by Weick et al. (2005), the members of this segment have moved beyond the initial surprise, disruption, and breakdown, and now view the digital age as an opportunity. For example, these participants are finding ways to be commercially successful without relying on sales of physical product or finding ways to have less reliance on full album releases. The following Embracer noted the value of his clients releasing EPs versus full albums as it provided him with more opportunities to create publicity and interest:

I don't think the album is dead. I think that it's cheaper to make an EP. And also, you know what, if you've got five great songs, well, why would you not just put out the five great songs? There's a better opportunity if you put an EP out and if you put two EPs out, then you can do double what you did before. So you can do double the PR. You can do two different tours, and you have two different things to sell to people. It's another way of selling to people too. Consumers, they would look at \$4.99 for an EP as opposed to a \$9.99 or \$12.99 CD. (M, 55, promotions)

Additionally, participants outlined that sensemaking efforts had taken place within the industry, and efforts to understand how to move forward was vital in order to identify future revenue opportunities. The Embracers' approach to navigating the digital shift was in stages. The process outlined by the following participants mirror the various elements of the sensemaking process developed by Weick et al. (2005):

So the industry has definitely gone through that panic stage when they were really worried about piracy and those concerns. And now to a mature kind of state of understanding how they can actually make money on digital music. And then the transition toward streaming services and the opportunity of monetization of things like YouTube. (M, 34, record label production and marketing)

People have to figure out a way to commercially exploit recorded music that can still bring revenue in. And making CDs isn't the way to do that anymore. For a label like us who is small and limber, I do not think I have ever been more excited about the music business because we don't have 200 employees. We don't have to sell, you know, 40,000 copies of everything to break even or to make some money. My break-even on a typical record we do is probably between 5,000 and 10,000 units and that is still doable. (M, 45, independent record label owner)

For members of this typology category, the shift toward digital was viewed as an exciting time for the recording industry, due to the removal of traditional barriers to distribution. For example:

There are plenty of singer-songwriters out there all who have a very low barrier to entry to the industry, leading to a tonne of music. The traditional cultural gatekeepers, radio stations, record labels, record stores, music magazines, have been greatly weakened. Everybody is their own music director now, which has led to a breakdown in mass consensus as to who's good, what's worth buying, who's worth seeing. (M, 45, record label public relations)

As suggested by Neill et al. (2007), "open-mindedness engenders a willingness to question current thinking and practice, to be receptive to emerging possibilities, to share ideas, and to consider different perspectives. As such, open-mindedness should facilitate sensemaking" (p. 734). The willingness to consider different perspectives was deemed essential to moving forward in the digital era, as evidenced by a promotions manager who had worked for his clients to receive more radio play for over 25 years now embracing the importance of the internet for his clients:

And even radio isn't an aspect anymore that really sells a lot of music. Does it create more awareness, radio? No, it doesn't. I run a radio company, and anybody that comes to us we say, the last thing you need is radio. Now that's a little ironic to say that. Not 10 years ago or 15 years ago, you needed radio first in order to get discovered. You don't anymore, and that's a big challenge for a lot of people in the industry. Because those artists that don't

understand that the Internet is there for them to connect and go to the fans, is probably a bigger influence nowadays than anything. Because some artists still believe that if you get your song on the radio, you win. (M, 55, promotions)

Notably, the majority of the optimism found within our sample resided with owners and label employees. As noted by Weick et al. (2005), it is important to be aware that what is deemed as plausible by one group might not be viewed the same way by other groups who are also seeking to make sense of the situation. Accordingly, a number of artists remain skeptical of the financial outcomes associated with streaming services and digital music outlets in general. They did, however, sense opportunities associated with working with consumers to build awareness and value for their work. Specifically, several of the Embracers felt that the education of young people played an important role in ensuring future generations of consumers' value music and the arts in general. It also runs counter to the industry's previous heavy-handed approach that demonized consumers for downloading music illegally. For example:

I think there is an important role to play in the creation of new sensitivities and new sensibilities around the way that we buy, sell and appreciate art in our culture. Talking to young people about this kind of stuff [illegal downloading/piracy] is super important. (M, 37, musician, label owner, producer)

As suggested by Weick et al. (2005), the sensemaking process includes placing current experiences in context by examining them next to previous experiences as a way of providing a frame of reference. Additionally, Daft and Weick (1984) note that managers often rely upon heuristics to guide their decision-making. The following quotation illustrates the need to move away from past practices and to also be aware of adapting to consumer tastes as opposed to trying to force the labels' preferences onto consumers:

Where the music streaming sites have actually helped out the music industry a little bit, by succeeding in their area of expertise, which is streaming music and working with the record labels and copyright owners to try to get as much music as possible. It almost defeats the purpose of actually giving away a song, because you don't need to anymore. All you have to make sure is that your music is

readily available on street date. Or that you put it out by surprise. But now when we release music from a new band it's not so special anymore to give fans a free song. We still do it, but our numbers have dropped substantially but our music streaming numbers have grown a lot more. Because that's just the way that people want to consume music. It's almost like— it's not my job to tell people how to consume music. I just want people to consume music. And if you dictate to your audience how they should be consuming your product, you better get it right. (M, 45, record label public relations)

Previous work by Frith (2000) discussed the importance of lobbying by members of the music industry to national governments, trade bodies, and the European Union for the purposes of protecting the rights of musicians and songwriters. The Embracers similarly felt compelled to be involved in lobbying and felt it was even more important during the digital era as royalty payment issues remained. For example, the owner of a smaller, independent label in Canada suggested there is a need for it to ensure the survival of the music industry:

There's a lot of lobby groups I'm involved in. I'm on the board of the Canadian Independent Music Association and there's lots of lobbying. But there's a tremendous resistance to the kind of key-holders that are distributing the music at this point without any morals or respect for the artists that are actually providing the content... It's going to take a real, hugely concerted effort and I know there'll be some businesses working together globally. All of the rights holders and the lobby groups in all the different countries are definitely talking and have joined together. But it's a matter of having the governments listen to this issue and it's just not a priority for them... Keeping people fed and healthcare is far more important than somebody's music being downloaded for free. (M, 34, record label production and marketing)

The following Embracer also felt that organizations such as musicians' unions failed to progress and work within the new reality for the industry. Specifically, he suggested a need for musicians to come together and combat the issues of poor royalty payments by streaming services:

But there needs to be something else that organizes musicians so that we have voices that can speak out against wages and so on. If everyone was organized and was, like, no, there's no way— If all the independent bands were, like, no way we're going to be on Spotify. Well, then they're just left to deal with major labels and some of them are electing not to be part of Spotify. It would eviscerate Spotify in a day. But we're not organized. I could see that could be the future where music will go: being organized and unified. (M, 37, musician, label owner, producer)

While the sensemaking literature (see, for instance, Basu & Palazzo, 2008) notes the importance of being aware of and interpreting environmental cues that can impact the success or failure of products, organizations, and even entire industries, some participants in this segment felt that catering to consumer tastes alone was a significant issue for the music industry. Specifically, they felt there was a need for organization, in the form of a strong musicians' union, in order to address what was perceived as a poor business model:

The union leader would say this is crazy. There is no way we're going to allow for 20,000,000 songs for a few dollars a month. It just does not make sense. Whereas with music you have tech and future watchers speaking for musicians. Which is not at all in line with the way business works in other sectors. It has to be made based on what, you know, unions and companies decide that they can afford to do and that consumers dictate what pricing is. But it's just crazy how music is a hundred percent driven by consumers. I mean, there's no other business that can—That's not a business model, is all I'm saying. And I've argued against and lobbied against that problem for a little while the last couple years. (M, 37, musician, label owner, producer)

## 5 | DISCUSSION AND IMPLICATIONS

Frith (2000) notes that “popular music has its own long history of relations between the local and the global, the licit and the illicit, craft and entrepreneurship, machines sounds and careers. It is these relations which we most need to understand” (p. 392). The current research provides key insight from practitioners in the music industry

in order to better understand its relations and dynamics during a period of extended and significant change. This study has explored a wide variety of challenges from the perspective of the music industry itself. In doing so, we extend previous research on music consumption in concert with a recent focus on streaming and the role of compensation for musicians from streaming services. There is a lack of research that considers how other key stakeholders (particularly musicians, artist management, and record labels) make sense of and adapt to issues such as piracy, streaming royalties, and how industry stakeholders can work together to prosper in the digital era.

### 5.1 | Theoretical implications

The current study contributes to the sensemaking literature by providing a rich, in-depth examination of an industry that has experienced and continues to experience monumental change due to technological disruption. We apply Weick et al.'s (2005) six interpretations that industry members in the Canadian music industry simultaneously hold as it relates to the impact of the digital era. The varying interpretations provide the opportunity to develop a typology of music industry practitioners. We found that the majority of our participants have been negatively impacted by the shift from physical to digital products. However, the identification of three different segments within our sample, the Resisters, the Realists, and the Embracers, provides a foundation on which to better understand how they influence market practices. Specifically, while comprising the smallest typology in our study, members of the Resisters did not appear ready or willing to transition toward joining our second segment, the Realists. This leads to questions as to whether they will continue working in music or will move away from the industry entirely. Additionally, members of the Resisters discussed how several friends and colleagues had left the music industry due to the inability to earn a living wage from music. This suggests the typology is under-represented by the current study due to members of this segment moving away from the music industry and thus not being a fit for our focus on current members of the music industry. Future research that reaches out to former members of the music industry would provide greater insight into why they left the industry and their experience as it relates to the digital shift.

Additionally, within the Realists segment, we found that artists and labels are unsure of the best way to release their work and question the value of releasing full albums if they are unlikely to sell enough copies to recover expenses. In order for this segment to transition

to become Embracers, Realists needs to be made aware of opportunities that cater to artists being compensated in a more transparent and equitable manner. For example, Bandcamp launched Bandcamp Fridays, which resulted in over US\$40 million paid out in artist fees during the current COVID-19 pandemic (Millman, 2020). Additionally, a recent emerging artist-focused organization, Side Door Access, has provided a source of revenue for musicians outside of the typical mainstream parameters of booking live shows (SideDoor.com, n.d.). To date, Side Door Access has worked with over 7000 artists and has filled a huge gap during COVID-19 for artists to hold paid live-streamed events.

Finally, we found that several participants have accepted this shift to a digital era and are looking for ways to prosper. The Embracers discuss the importance of coming together and finding common ground for the betterment of the industry. For example, several of the Embracers across various roles in the industry noted the importance of an industry-wide effort to work together and address issues such as streaming services royalty payments. Furthermore, several musicians and label employees took advantage of educational opportunities for the purposes of building appreciation of the arts in future generations.

## 5.2 | Managerial implications

A variety of organizations operating in Canada were created with the intention to both protect and advance musicians' legal interests and to specifically provide more revenue opportunities in the digital era. These organizations range from well-established non-profits such as Music Canada and Canadian Independent Music Association, to newly founded for-profit, artist-driven companies such as Side Door Access.

Music Canada, a non-profit organization founded in 1964, has a mandate to support musicians through a variety of initiatives closely related to the findings of the current study. Specifically, its areas of focus include the lobbying to government on specific legislative and regulatory issues that impact the music industry. As noted, members of the Embracers segment would be strong resources to draw upon for lobbying and government relations. Furthermore, Music Canada seeks to actively build and develop legal digital music providers in Canada and work with all of the various stakeholders included in our current study—musicians, publishers, musicians, and artists (MusicCanada.com/about, n.d.). The current work would provide insight into what artists and other members of the music industry are the most concerned about and challenged by. Additionally, an initiative

between Music Canada and Connect Music produced a report entitled “Supporting Artist Entrepreneurs in the Evolving Music Economy” that would be of value for the participants in the current study. This initiative could be part of a concerted effort to move the Resisters and Realists in the direction of becoming Embracers with more artistic control and business acumen (Music Canada, 2020). The framing of this initiative will be of particular importance for the two segments in our typology that remain skeptical of the value of moving forward in the digital age.

The Canadian Independent Music Association is also a non-profit organization whose membership includes musicians, record labels, record producers, creative content owners and many other roles in the music industry represented in the current research. A key focus of its work is related to business development including “helping our members engage with each other which leads to the sharing of best practices in the successful creation, marketing, and distribution of Canadian independent music” (CIMA, n.d.). The current research provides preliminary insight regarding key challenges facing members of the Canadian music industry and discussion of potential best practices that can be shared more broadly. Future research involving organizations such as Music Canada and CIMA would allow for confirmation of preliminary findings with a broad survey instrument.

## 5.3 | Future research implications

The current COVID-19 pandemic has resulted in unprecedented challenges for the live music industry with concerts and large music festivals expected to be among the last types of events to return. At present, live music makes up 57% of total annual music spending for Canadians. More than half of Canadians (58%) attend at least one live music event per year, presenting significant opportunities for musicians to engage with concertgoers (Music Canada, 2020). As a result, artists are looking for alternative opportunities such as Patreon subscriptions, online tip jar models, and paid live-streaming events (McNeil, 2020). Concerning future research opportunities emerging from the COVID-19 pandemic, Neill et al. (2007) note that firms that are able to “employ a creative and timely response to environmental changes should attain superior customer outcomes (i.e., satisfaction, value delivery, and loyalty)” (p. 735). The pivot in business models by practitioners including live music promoters, venues, and artists will be fascinating as the pandemic continues to unfold, and real-time data will provide confirmation of those who managed the COVID-19 pandemic successfully.

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**How to cite this article:** Green, T., & Sinclair, G. (2022). The broken record: How the music industry is making sense of uncertainty and change. *Canadian Journal of Administrative Sciences*, 1–16. <https://doi.org/10.1002/cjas.1659>